HOUSE BUDGET REPUBLICANS

Budget Digest

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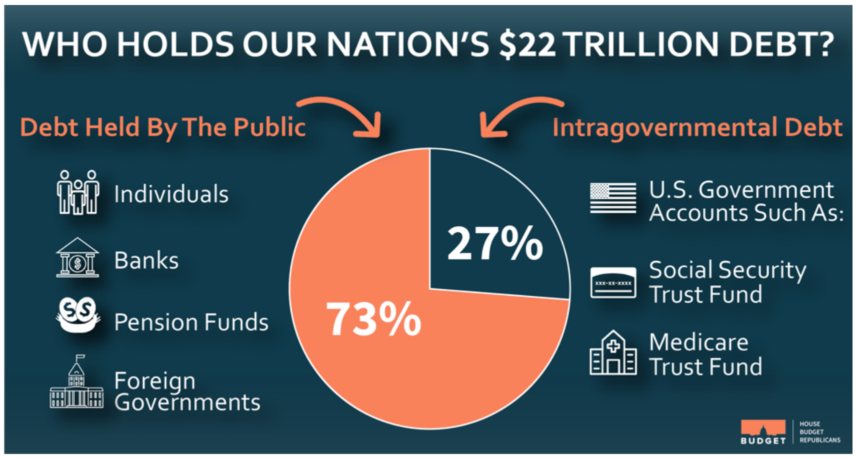
The Nation's Federal Debt

The nation's federal debt, which surpassed $22 trillion earlier this year, is the cumulative level of annual deficits and surpluses over time.[1] It is comprised of two components: **1) debt held by the public** – or securities issued by the United States Treasury Department to individuals, banks, pension funds, foreign governments, and other entities – which will be more than $16 trillion or 78 percent of gross domestic product (GDP) by the end of fiscal year 2019, and **2) intragovernmental debt** – or the money the government borrows from its own accounts such as the Social Security and Medicare Trust Funds – which is nearing $6 trillion.[2] Over the past several years, the federal government has run annual deficits, which is when the government spends more money than it brings in through revenue. If our nation continues on this trajectory, the Congressional Budget Office (CBO) projects the federal debt will be over $33 trillion in 2029.



Why Should We Care About the Debt?

While some lawmakers and economists argue that the nation's $22 trillion of debt should not be a cause for concern, many others have warned that a debt of this magnitude could have damaging consequences on our economy and national security, including:

- *Fewer resources for the priorities most important to the American people.* As our nation's debt grows, so does the size of our nation's interest payments (or the cost of servicing the debt) – crowding out funding for defense, homeland security, and other vital government functions. According to CBO, the United States is expected to direct $383 billion, or about nine percent of its total spending, to interest on the debt in 2019. Interest payments are projected to increase to $724 billion in 2025 – more than what the government is projected to spend on the entire defense budget that year.[3]
- *Higher interest rates – not only on our nation's debt but also on Americans' personal finances*. As our nation's debt grows, lenders will look to offset the risk of their investments by raising interest rates. This will increase the debt even further and could lead to higher interest rates throughout the economy, affecting different types of borrowing including home mortgages and student loans.[4]
- *Greater difficulty meeting our nation's financial obligations*, which could lead to increased inflation rates, higher unemployment, fewer investments, shrinking wages, and economic instability.[5]

What Should We Do to Address the Debt?

To begin paying down the debt and put the nation back on a fiscally sustainable path, Congress must rein in out-of-control federal spending and reverse the trend of rising deficits. This will require addressing the biggest driver of our deficits and debt: mandatory spending, which today accounts for more than 70 percent of all federal spending and is projected to reach 78 percent of total spending within the next decade.[6] Mandatory spending – or funding set on autopilot – includes Medicare, Medicaid, Social Security, and interest payments on the debt. As House Democrats propose radical, multi-trillion-dollar ideas that will exacerbate our nation's grim fiscal reality, House Republicans will continue to put forward responsible solutions that make federal programs work better *and* drive down the debt.

[1] https://www.cbo.gov/system/files/2019-03/54918-Outlook-3.pdf.
[2] *Ibid.*
[3] *Ibid.*
[4] https://www.crfb.org/papers/why-should-we-worry-about-national-debt.
[5] *Ibid.*
[6] https://www.cbo.gov/system/files/2019-03/54918-Outlook-3.pdf.